FOREIGN AGRICULTURE

Italian cattle farm.

Agriculture Bright Spot in Italian Economy

World Food Prices

June 7, 1976

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. XIV • No. 23 • June 7, 1976

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This week's cover:

Stables of a modern cattle farm in Italy. Livestock producers and most other farmers in Italy had a generally good year during 1975, in contrast to the nation's disappointing results, according to article opposite.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. **Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.**

Agriculture Bucks Skid In Italian Economy

By ELMER W. HALLOWELL
U.S. Agricultural Attaché
Rome

AGRICULTURE was one of the few bright spots in the Italian economy last year. Real farm output rose 3 percent—and imports of U.S. farm products hit an alltime high—in the midst of the nation's first economic decline since World War II, rising unemployment, and political instability.

Despite these and other problems—as reflected in the stringent import requirements recently imposed—cautious optimism prevails for 1976. The economy is seen scoring a modest rebound, and the trade deficit should, for the second successive year, be much improved over the 1974 level. (While the recent devaluations of the lira may help exports, however, the cost of imports will rise, and inflation will continue to be a problem). Given good weather, farm output may increase in 1976 and farm imports are seen picking up as economic recovery boosts domestic demand.

Last year, Italian imports of farm and industrial products were held down by the nation's severe recession, which brought the first drop (about 3.7 percent) in gross national product since World War II. As a result, the country saw its overall balance-of-payments deficit narrow to $2 billion from 1974's $5.5 billion.

Industrial, rather than farm, products contributed the bulk of this improvement as their imports fell sharply. Agricultural imports, on the other hand, dipped by only about $100 million to $5.6 billion in the first 9 months of 1975.

And U.S. agricultural exports to Italy last year set another record high of $798.2 million, compared with $763.2 million the year before. This was enough to make Italy the seventh largest market for U.S. farm products.

Two categories—corn and soybeans and soybean products—accounted for 70 percent of U.S. farm exports to Italy in calendar 1975. Corn was the gainer of note, and—after losing first place to soybeans in 1974—retook the No. 1 spot in this trade. Its shipments totaled 2.5 million metric tons valued at $326 million, compared with slightly over 2 million tons at $261 million in 1974. U.S. sales of soybeans and products headed in the opposite direction, as falling prices reduced their export value nearly $90 million to $232 million.

Other major U.S. farm exports to Italy last year included wheat, whose earnings soared 2½-fold to $75 million; tobacco, up by $20 million to $51.2 million; and cotton (including linters), off to $20.9 million from $38.6 million in 1974. Tallow and grease, hides and skins, furskins, pulses, seeds, dried fruits, and turkey parts made up most of the remaining U.S. farm shipments.

U.S. farm imports from Italy totaled $155 million in 1975, up from $134 million in 1974. Wine was far the biggest item, accounting for $65.5 million, or 42 percent of the total, while raw tobacco, hard cheese, and olive oil ranked next in order. Farm products make up only about 5 percent of U.S. imports from Italy but close to 30 percent of U.S. exports to Italy.

Domestically, gross value of farm output totaled about $19 billion at

Left, picking olives in the Italian highlands of Tuscany, and above, harvesting corn. While economic and political problems raged, Italian agriculture put in a good showing last year.

current prices, or 12 percent of total GNP against 9.4 percent in 1974.

The increase came about as a result of higher production of corn, up 4 percent; Durum wheat, 20 percent; sugarbeets, 49 percent; olive oil, 22 percent; and larger outturns of certain tree and row crops. Among the livestock products, pork and poultry production rose 6 percent and 3 percent, respectively. Declines were recorded in soft wheat, tomatoes, grapes, pears, peaches, and lettuce. Milk production held steady.

Livestock and feed. Italian livestock and poultry producers spent much of last year recovering from an unprofitable 1974, ending the year with a favorable outlook for 1976.

CATTLE producers and consumers alike felt the impact of the European Community's embargo on imports of live cattle and fresh, chilled, and frozen beef from third countries (imposed in July 1974 and modified in 1975 to permit limited imports). While contributing to improvement in Italy's trade balance, these restraints have perpetuated the country's chronic shortage of beef and—together with an 18 percent value-added tax on all beef—have kept beef prices high.

Feeder cattle prices have risen because of the embargo. Yet beef cattle producers are making money for the first time in years, partly because they are exempt from the value-aded tax. These higher profits should serve to keep beef production and feed requirements at least as strong as the current levels. (Beef output in 1976 is estimated up about 3 percent to 980,000 tons.)

Italian meat consumption in 1975 was altered by the extremely high consumer prices for beef and veal, which diverted consumers from these expensive products to pork and poultry. Consequently, consumption of pork and poultry rose—but their prices also gained—while per capita beef consumption fell nearly 3 kilograms from its peak 1973 level of 26 kilograms.

Lower export availabilities from traditional EC suppliers added to the upward pressure on pork prices, as did Italy's reduced hog numbers of last year. These numbers are just beginning to rebuild but should continue to expand in view of the recent spectacular profits from pork production. A production gain of about 10 percent to 870,000 tons is forecast for 1976.

A similar situation exists for poultry meat and eggs, whose domestic supplies were down late last year, while prices and imports were up. The high prices are expected to bring a 5 percent gain in 1976 poultry meat production to 900,000 tons, with turkey meat output rising 12 percent to 140,000 tons.

Production of milk fell about 1.5 percent to 9.83 million tons, with a 3.6 percent decline in milk going for factory use and 9 and 7 percent declines in cheese and butter output. A gain in output, to nearly 10 million tons, is seen for 1976.

With livestock expansion underway, Italy's imports of feedgrains during 1975/76 are expected to rise to 5.5 million tons, from 5 million in the previous year. Corn imports alone are seen jumping 400,000 tons to 4.5 million in 1976, as a result of the rising pork and poultry production. Imports from the United States are estimated to increase by 200,000 tons to over 2.4 million.

Some of the expanded need for corn also is being supplied from domestic production of feedgrains, estimated at 6.5 million tons for the 1975/76 (August-July) marketing year, compared with 6.1 million in 1974/75. Corn accounts for the bulk of production—about 83 percent—and for most of the increase, although output of barley and oats also is up.

Given the expected gains in meat output, Italian soybean meal requirements should rise about 5 percent in 1976. These will be met mainly from soybeans imported for crushing, rather than soybean meal. Hence, despite a slowdown while the import deposit scheme is in effect, soybean imports may rise slightly following their 5 percent drop last year. Soymeal imports, which fell 28 percent in 1975, will probably remain static at 450,000 tons.

Wheat. Production of soft wheat last year fell 10 percent to about 6.2 million tons, while Durum wheat output rose 20 percent to 3.5 million. Weather was fairly favorable for soft wheat, but farmers who had switched to other more profitable crops (sugarbeets and corn, in particular) in 1974 kept their planted acreage low. Durum wheat area, on the other hand, rose slightly and is expected to increase in the future—possibly reaching outside traditional producing areas of southern Italy and Sicily—in view of favorable EC price supports. However, expansion will be limited by climatic conditions, and Italy will continue to be an importer of Durum.

Italian imports of soft wheat during 1974/75 (July-June) fell sharply from the previous year's, but a strong rebound to 1.5-1.6 million tons is taking place in 1975/76. France has been the largest source as usual, while North America may supply 500,000 tons.

Italian Import Curb Has Mixed Impact

U.S. agricultural exports to Italy in the next few months will be curtailed by the prior import deposit requirement imposed by that country last month to bolster its beleaguered economy and currency. However, the impact of this restriction on full-year exports may be blunted by the short duration (3 months) of the requirement and the large purchases already made of certain U.S. farm products.

The new regulation, effective May 6 through August 5, 1976, requires a prior import deposit on all imported commodities, except wheat, equal to 50 percent of the value of the purchase. (Wheat was exempted because of Italy's need to import roughly 300,000 tons of soft wheat from European Community intervention stocks.) The requirement also covers foreign currency needs of Italian tourists and specifies that deposits be held by the Bank of Italy for 3 months without interest.

The restrictions are expected to adversely affect Italy's agricultural imports, which were valued at a record of nearly $8 billion in 1974 and are believed to have reached a new high in 1975. Around $800 million of these imports last year came from the United States.

The full impact of the current restrictions on U.S. farm exports to Italy, however, is hard to predict since many exceptions are expected to be made for essential imports.

Corn, soybeans, and soybean meal are the three leading U.S. exports to Italy, amounting to $566 million, or around 70 percent of total exports, in 1975. These products are closely related to the growth of a viable livestock industry, which Italy needs if its import bill for livestock and livestock food products ($2.5 billion in 1974) is to be reduced.

For corn, the impact probably will not be too serious, since corn importers have an incentive to import before August 1, when prices of feedgrains imported into the European Community will rise significantly. This desire to line up imports ahead of the price boost wil probably cancel out the effect of the deposit scheme.

Italian stocks of soybean cake and meal are relatively high, and world prices have been increasing recently. Further, the European Community's nonfat dry milk regulation already requires deposits on soybeans and meal, thus sharply increasing import costs in the short run. Consequently, some imports of soybean and soybean meal are likely to be postponed.

Since the State Monopoly has already purchased tobacco in the United States, there may be a postponement of tobacco shipments with no effect on the total volume imported in 1976.

Before imposition of the deposit scheme, prospects were for smaller exports of U.S. cotton to Italy in 1975/76, and the scheme is likely to have a further negative impact on these shipments.

The other major U.S. exports subject to the requirement—tallow, hides and skins, pulses, seeds, and dried fruits—will probably be adversely affected.

U.S. sales of Durum wheat, on the other hand, will be reduced sharply this year even though wheat has been exempted from the deposit requirement. This is because of currency restraints, the country's large carryover of Durum stocks, and the forthcoming bumper crop.

This is the second time in 2 years that Italy has resorted to an import deposit scheme. The earlier one—imposed May 1, 1974, and effective through early 1975—covered less than 50 percent of imports, while deposits were frozen for 6 months. It is widely credited with helping reduce Italy's foreign trade deficit from a staggering $10.6 billion in 1974 to $3.6 billion last year and its balance of payments deficit from $5.5 billion to $2 billion.

The most recent measure was approved by the European Community even though the EC on March 15 granted Italy a $1 billion loan with the understanding that Italy would not take any action to restrict trade. However, the Commission felt that economic events had overtaken this commitment and thus authorized the import deposit scheme.

—JAMES LOPES, ERS

Italian Durum wheat imports in 1974/75 totaled 890,000 tons, with imports from the United States at 330,000 tons, or three times the 1973/74 level. The larger 1975 production and increased stocks, however, will sharply reduce this season's imports.

Italy exports some soft wheat in the form of flour (400,000 tons in 1975 which should be unchanged in 1975/76).

Rice. Italy, the EC's major rice producer, had a slightly reduced 1975 rice crop, estimated down 4 percent from 1974's to 961,000 tons. Exports in 1975/76 are now forecast about 25 percent below those of 1974/75 and are expected to include 260,000 tons of fully milled rice, 100,000 of semi-fine rice, and 25,000 of broken rice.

Cotton. The downturn in Italy's textile activity that began in the second half of 1974 continued during 1975. However, since late November, the industry has begun stepping up activity. Consumption of cotton in 1975/76 may approach the 1973/74 level of 184,000 tons following a decline to 177,000 last season. Imports may also gain from the reduced 1974/75 level of 167,000 tons, but imports from the United States—which normally holds around 20 percent of the market—are expected to be held down by the lower prices for competing growths.

Tobacco and products. Italian tobacco production in 1975 is estimated at 96,000 tons—an increase of 3 percent from 1974's. While yields declined slightly, area rose 5 percent in response to attractive prices.

Italian tobacco exports continued to increase in 1975 after having more than doubled between 1973 and 1974. Through September 1975, these exports totaled 42,002 tons, compared with 40,196 in the same period of 1974. Imports of tobacco also rose in this period, hitting 23,858 tons, compared with 22,044 in the first 9 months of 1974. Imports from the United States in the first 7 months were 13,588 tons.

Sugar. Sugarbeet production in 1975 rose 49 percent to 11.5 million tons as favorable support prices for sugarbeets prompted a shift of land from tomatoes, wheat, and other crops. But sugar output rose only a third to 1.3-1.4 million tons as a result of a decline in sucrose content. Because of the larger production, 1975/76 imports are expected to decline to 500,000 tons from 591,000 in 1974/75.

Citrus fruit. Italian production of citrus is putting in a mixed showing in 1975/76. Gains are foreseen for lemons, forecast up 1 percent to 785,000 tons, and mandarins, up 9 percent to 365,000 tons. But the orange crop is expected to decline 12 percent from last season's record to 1,555,000 tons. Export gains are seen for lemons, mandarins, and fresh oranges—forecast up 17, 50, and 10 percent, respectively, to 270,000, 24,000 and 150,000 tons. Both advances can be laid to penetration premiums—essentially, subsidies on exports to certain markets. These were extended to lemons for the first time this season, while oranges benefited from unusually high penetration premiums.

Deciduous fruit. Italy's apple crop in 1975 was 2.1 million tons, an increase of 13 percent from the previous year's. However, exports in 1975/76 are forecast to fall by 30,000 tons to 425,000 tons as a result of larger crops in West Germany and other countries that import Italian apples.

Production of pears is estimated off 6 percent to 1.4 million tons as a result of reduced plantings and overgrafting in traditional areas. Total exports are forecast at 260,000 tons in 1975/76, compared with 226,000 in 1974/75.

Nuts. Walnut production in 1975, at 18,000 tons, was up 38 percent from 1974's small crop, and walnut exports are seen rising sharply in 1975/76. Almond production rose well above recent crops to 26,000 tons but remained below the 35,000-38,000 ton harvests of the 1960's. Filbert production, at 75,000 tons, was off one-fourth from last year's record but about an average crop. Exports of filberts will decline in 1975/76.

Olive oil. Production of pressure olive oil in 1975/76 is estimated at 590,000 tons, 36 percent more than last year's. Following a 36 percent decline to 104,000 tons in 1974/75, olive oil imports will be down again this season.

Wine. Output of wine in 1975 is preliminarily estimated down 11 percent to 68 million hectoliters. Exports totaled 12.9 million hectoliters, valued at 255 billion lira, for a gain of 35 percent in value but only 26 percent in value. Shipments are expected to remain strong in 1976.

Assist. Secretary Bell looks at

Commercial U.S. Rice Markets

DURING THE PAST several years, American rice has emerged as the dominant factor in world trade in rice. Although the United States produces only 1.5 percent of the world's rice it supplies around 25 percent of all rice moving in world trade. The United States has replaced the People's Republic of China as the world's leading rice exporter.

The 1975/76 world rice crop—the third record crop in succession—is estimated at just over 350 million metric tons (rough), up 6 percent from last season's record crop. This bumper world crop has dampened import demand for rice. World trade in rice in calendar 1976 is currently expected to be about 7 million metric tons (milled), down 3 or 4 percent from that of 1975.

World rice stocks at the end of 1975/76 are expected to be around 14 to 15 million metric tons (milled), up more than a third from those at the end of 1974/75. Nearly one-quarter of the buildup in world stocks will occur in the United States where stocks at the end of 1975/76 are expected to exceed 1 million tons (milled).

These prospects, obviously, have had an impact on price. Rice prices on the world market have declined sharply since October 1975, reflecting the increasing pressure on new crop supplies. U.S. prices have followed world prices downward. The average price received by U.S. farmers for rough rice in March was $5.85 a hundredweight.

Prices have since improved and averaged $7.09 in April. This price, however, is still below the Government support price of $8.52, and far below the $11.00 received in April of last year.

The average price received by farmers for rice in April was 52 percent of parity, the lowest by far for any major crop. Wheat, for example, was 72 percent of parity and corn was 75 percent.

U.S. rice growers, therefore, are receiving the right signals from the marketplace, and according to the April 1 USDA report, are expected to plant 16 percent below the record acreage of 1975. That is the way the system is supposed to work under the U.S. farm policy of full production at market-oriented prices.

The Department of Agriculture would very much like to see a futures market established for rice. We believe a futures market for rice would vastly improve the efficiency of rice marketing in the United States. We believe it would improve our competitive edge in the world market.

It is important that our rice industry not become discouraged by the current slack demand in the world rice market. Actually, we are doing quite well under trying circumstances.

U.S. rice exports during 1975/76 are still expected to be the second highest on record. We will maintain our share of the world market, and do so despite the markets lost a year ago in Southeast Asia.

During the past 3 marketing years, U.S. rice exports to Indochina averaged more than 400,000 tons a year—over 20 percent of our total rice exports. Because of the political change in Southeast Asia, these markets no longer exist for American rice.

We have had to find replacements for the lost markets. We in the Administration—with Congressional support—have worked to help the industry find new market outlets.

Greater emphasis is being placed on rice in this year's P.L. 480 program, the vehicle used to supply food assistance to needy countries. Since the beginning of January, we have concluded 10 P.L. 480 agreements, or amendments to earlier agreements, which have included rice, totaling more than 540,000 tons. These new agreements are with such geographically diverse countries as Korea, Bangladesh, Portugal, Zaire, Indonesia, Syria, Guinea, and India. We plan to ship at least 850,000 tons of rice under P.L. 480 in 1975/76.

However, the current emphasis on P.L. 480 must be considered temporary. In the longer run, the success of U.S. rice policy will depend on our ability to continue to develop and hold com-

Continued on page 12

Based on remarks by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, before the 77th Annual Meeting of the Rice Millers' Assoc., Acapulco, Mexico, May 7, 1976.

Consumer Price Indexes Up in 15 Countries

OFFICIAL CONSUMER price indexes (CPI's) in all 15 countries surveyed by FAS trended upward between March 1975 and March 1976, the latest period for which figures are available.

The lowest increase was in West Germany, where consumer prices rose by 5.4 percent. The United States was next with 6.1 percent. At the top of the scale were Argentina (566.3 percent) and Brazil (38.9 percent).

Increases in the food price indexes (FPI's) prepared by the governments of the 15 countries from March 1975 to March 1976 ranged from a low of 4.3 percent in the United States to a high of 628.2 percent in Argentina, where the Government's fiscal deficit is blamed for much of the increase.

The next lowest rate of increase among FPI's was in West Germany, where the rate of gain was 6.4 percent during the 12-month period, and the second highest climb was in Brazil, where the increase was 39 percent in that period.

Of the increases in FPI's of six selected countries shown in the accompanying chart (United Kingdom, Japan, Italy, France, the United States, and West Germany), the highest gains were in the United Kingdom.

Since the previous bimonthly FAS survey in March (*Foreign Agriculture* April 5, 1976) several changes in government policies affecting food prices have been reported. Sharp food price increases in Argentina are attributed to the ending of retail price controls.

The new Argentine Government, which terminated the controls, hopes that normal operation of supply-and-demand forces will ease upward price pressures following the initial round of increases that followed the removal of the controls.

In Canada, a new Federal dairy policy promulgated on April 11 boosted

ANNUAL CHANGES IN RETAIL FOOD PRICES, BY COMMODITY, IN SELECTED WORLD CAPITALS, M

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork, boneless	Ham, canned	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Cheese: Edam, Gouda, or Cheddar	Milk, whole, quart	Oil, cooking, quart	Tomato
Bonn	16	9	9	23	(2)	— 5	14	— 9	3	— 4	— 2	— 46	— 3
Brasilia	— 49	— 59	— 14	— 35	— 38	— 16	— 2	— 6	— 10	— 45	— 17	— 42	
Brussels	2	— 3	9	15	— 6	1	8	20	— 2	— 4	— 9	— 12	— 2
Buenos Aires	— 8	— 9	166	(2)	(2)	(2)	— 24	75	— 27	— 35	18	73	— 1
Canberra	13	43	3	(2)	— 4	7	— 20	— 3	16	— 4	— 26	— 19	10
Copenhagen	8	4	5	4	— 23	— 5	— 5	— 1	— 2	— 30	— 3	— 31	— 1
London	— 18	— 8	— 9	— 14	2	— 11	— 19	— 9	— 1	— 3	14	— 30	— 4
Mexico City	18	16	5	2	3236	15	13	— 12	10	22	0	5	8
Ottawa	14	9	26	27	25	21	28	24	13	6	4	16	8
Paris	— 11	— 7	4	4	1	— 41	— 19	15	— 4	— 12	— 6	— 24	— 3
Rome	— 16	— 8	— 14	— 23	52	— 15	— 6	0	— 16	— 10	— 24	— 40	— 3
Stockholm	6	44	— 5	8	— 14	19	1	16	1	13	— 3	— 6	— 1
The Hague	— 3	— 13	12	9	26	— 2	22	— 3	— 1	— 4	— 6	— 27	— 2
Tokyo	— 25	39	— 2	23	12	24	49	22	3	9	17	— 1	3
Washington	— 10	— 18	11	— 3	14	15	— 2	— 11	34	19	4	— 14	—

[1] From viewpoint of consumer whose income is in dollars, thus reflecting both changes in local currency prices and exchange rates.
Source: U.S. Agricultural Attachés.

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED WORLD CAPITALS, MAY 5,
[U.S. dollars per lb or units as indicated, converted at current exchange rates]

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork, boneless	Ham, canned	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese: Edam, Gouda, or Cheddar	Milk, whole, quart	Oil, cooking, quart	Tomatoes
Bonn	4.48	3.03	2.49	3.75	(1)	3.08	0.88	1.00	1.58	0.72	1.74	0.43	1.61	0.51
Brasilia	.66	.44	.98	1.69	1.45	2.26	.52	.68	1.22	.50	1.25	.20	.64	.27
Brussels	3.90	2.02	1.99	2.09	2.53	1.39	1.13	1.13	1.66	.67	1.88	.39	1.24	.89
Buenos Aires	.67	.29	.77	(1)	(1)	(1)	.34	.84	1.01	.45	.93	.20	1.30	.26
Canberra	1.69	.76	1.80	(1)	2.17	2.48	1.02	1.13	1.08	.84	1.37	.40	1.61	.98
Copenhagen	4.97	2.33	2.70	3.00	2.45	2.54	.99	1.26	1.55	.47	1.39	.39	1.65	1.35
London	2.70	1.46	1.50	1.21	1.53	1.86	.55	.86	.69	.55	.95	.25	1.11	.62
Mexico City	1.45	1.34	1.45	1.84	2.96	1.95	.98	.76	2.03	1.03	3.70	.30	1.40	.29
Ottawa	2.08	1.25	2.13	2.54	2.28	1.73	1.01	.94	1.18	.93	1.58	.58	1.84	.70
Paris	2.71	1.55	2.04	2.34	3.07	2.04	.83	1.25	1.57	.53	1.55	.34	1.14	.57
Rome	2.72	1.98	1.73	1.73	4.08	1.58	.94	1.08	1.58	.69	1.38	.29	.73	.47
Stockholm	5.17	2.93	2.33	4.10	2.87	3.07	1.46	1.52	1.41	.98	2.03	.32	4.30	1.27
The Hague	3.54	2.19	2.26	2.77	2.35	3.12	.73	.96	1.41	.44	1.67	.33	.85	.40
Tokyo	11.68	6.09	2.74	3.45	4.69	4.26	1.40	.96	2.07	2.09	1.92	.76	1.62	.78
Washington	1.72	1.24	2.02	1.67	2.55	1.82	.52	.68	1.19	.74	2.24	.48	1.62	.65
Median	2.71	1.55	2.02	2.34	2.53	2.15	.94	.96	1.41	.69	1.58	.34	1.40	.62

[1] Not available. Source: U.S. Agricultural Attachés.

the wholesale price of butter by 5 cents per pound and is believed to have caused butter prices to rise 8 percent at the retail level.

In France, the Government authorized an increase in milk prices on March 15. In Sweden, higher prices were approved for some products subject to Government price controls.

Meat prices were generally higher in 10 countries on May 5 than 2 months earlier. In Copenhagen, a considerable rise in domestic beef prices is attributed to the effectiveness of the European Community (EC) intervention system rather than to any improved marketing conditions.

Denmark's sales of beef to Italy—its main customer—have practically ceased as a result of two recent devaluations of the lira. Virtually all Danish beef formerly shipped to the Italian market is now entering EC intervention stocks.

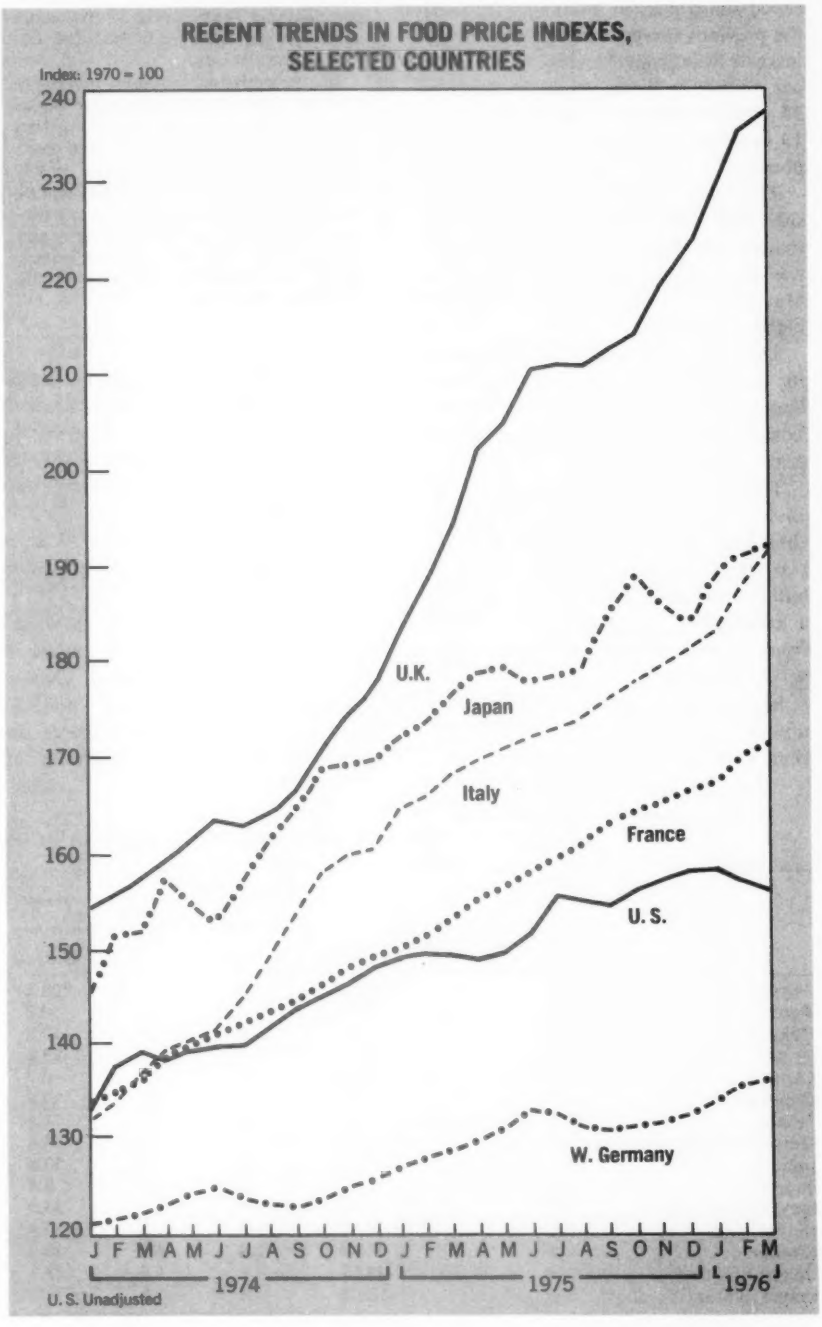
Canadian beef prices were slightly higher in May than in March, reflecting stronger cattle prices. There was little change in prices of pork cuts, and a substantial decline in canned ham prices.

Beef and pork prices in The Hague were firm, resulting from low supplies caused by reduced domestic slaughter and heavy export demand for pork.

Poultry prices were higher in about half of the capitals. Tokyo poultry prices went up by the equivalent of 33 cents during the past 2 months. In Paris and Bonn, poultry prices rose by 10 cents during this period.

Poultry prices were slightly lower in May than 2 months earlier in Washington, Brasília, Canberra, London, and Rome.

Prices of fruits and vegetables fol-



, MAY 1975—MAY 1976[1]

matoes	Onions, yellow	Apples	Oranges, dozen	Bread, white, pkgd.	Rice	Sugar
- 30	21	— 47	— 13	— 32	— 30	— 23
0	— 3	— 84	— 34	— 35	— 20	0
- 24	100	— 10	— 32	7	— 13	— 3
- 10	— 36	— 64	— 52	0	33	111
109	13	54	— 33	5	— 3	— 16
- 18	37	7	— 18	22	— 13	0
- 41	— 8	— 3	— 11	— 18	— 28	— 43
81	18	148	6	11	0	0
84	— 10	11	15	10	4	— 15
- 39	61	— 38	— 4	— 15	— 22	— 8
- 35	— 6	— 31	— 35	— 19	([2])	— 23
- 19	23	— 22	— 7	10	11	— 8
- 23	82	— 35	— 5	32	— 21	— 10
37	165	59	176	— 9	18	— 2
- 2	— 3	— 8	— 24	2	— 16	— 31

s. [2] Not available. [3] Sale price was in effect in May 1975.

Y 5, 1976
tes]

toes	Onions, yellow	Potatoes	Apples	Oranges, dozen	Bread, white, pkgd.	Rice	Sugar
	0.46	0.29	0.25	1.76	0.42	0.64	0.27
7	.30	.34	.09	.39	.35	.20	.11
9	.32	.25	.35	1.19	.30	.41	.28
6	.09	.13	.12	.56	.21	.32	.38
8	.35	.15	.40	1.19	.19	.31	.16
5	.67	.53	.44	2.49	.56	.49	.27
2	.24	.32	.38	1.75	.18	.33	.20
9	.13	.24	.72	.33	.31	.38	.08
0	.26	.14	.50	1.33	.34	.54	.29
7	.45	.40	.29	2.14	.67	.29	.24
7	.17	.35	.20	.81	.34	.24	.23
7	.70	.20	.50	1.58	.85	.59	.33
0	.31	.20	.17	1.03	.25	.37	.26
8	.45	.25	.86	6.33	.42	.40	.42
5	.28	.24	.45	1.15	.48	.36	.27
2	.31	.25	.38	1.19	.34	.37	.27

lowed their usual pattern between March and May, based on seasonal supply and demand. However, potatoes appear to be the exception—especially in EC countries, where prices have trended sharply higher. Paris potato prices advanced by 30 cents per pound in the 2-month period.

The French crop of new potatoes is expected to be later because of extreme dryness in the main production areas.

Copenhagen and Rome also experienced sharp rises in potato prices since the previous survey. In Copenhagen, the increase was from 22 cents to 53 cents per pound; in Rome, from 21 cents to 35 cents. In Brasília, a steep rise from 19 cents per pound to 34 cents was reported.

The cost of the food for a meal consisting of a 4-ounce sirloin steak, one tomato, two slices of bread, and butter was less in Washington and Tokyo in May than 9 months earlier but slightly higher in Brasília.

The May 1976 and July 1975 prices for this meal were (1975 data in parentheses): Washington, 89 cents ($1.11); Tokyo, $3.50 ($4.37); and Brasília, 43 cents (40 cents).

The cost in May to consumers in the 15 countries of the food for a breakfast consisting of an 8-ounce glass of milk, two slices of bread, half an ounce of butter, two slices of bacon, one egg, and a small glass or orange juice ranged from a low of 30 cents in Buenos Aires to $2.06 in Tokyo.

Between these extremes, this combination of food cost 51 cents in Brasília, 62 cents in Rome, 68 cents in Mexico City, 72 cents in Brussels, 76 cents in Washington, 79 cents in Canberra, 82 cents in The Hague, 83 cents in London, 84 cents in Ottawa, 96 cents in Paris, 99 cents in Stockholm, $1 in Bonn, and $1.10 in Copenhagen.

Tokyo is the only one of the 15 capitals where prices for butter are lower than those for margarine.

A consumer outlay of $2.09 in Washington will purchase about 3 pounds of margarine and in The Hague, Copenhagen, and Buenos Aires about 5 pounds. These and other comparative prices are reflected in the table, "FAS Survey of Retail Food Prices in Selected World Capitals."

The table, "Annual Changes in Retail Food Prices, By Commodity, in Selected World Capitals, May 1975-May 1976," shows relative food price changes in U.S. dollars for the 19 items surveyed.

Compared with year-earlier prices, the prices of 12 food items have declined in Washington, prices of five are lower in Tokyo, two are lower in Ottawa, and one is lower in Mexico City.

The downward price trend in the other 11 countries is largely attributable to currency exchange variations. Retail prices for meat and dairy products computed in local currencies have advanced sharply in most of the capitals during the past year.

In recent months, political changes in Argentina have seriously affected the exchange rate. The value of the peso dropped 900 percent between May 1975 and May 1976. In the same period, the Brazilian cruzeiro declined 35 percent in value.

Other currencies that fell significantly during this period were the Italian lira, down 35 percent; the U.K. pound, down 22 percent; and the French franc, down 15 percent.

The value of the Mexican peso did not change in relation to the value of the U.S. dollar, and the Japanese yen fell by only 2 percent.

Currencies of other countries in the FAS survey fell from 7 to 12 percent against the dollar—the only exception being the Canadian dollar, which appreciated by 5 percent.

—Sidonia R. DiCostanzo, FAS

Data Qualifications

Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currency prices, and are not directly affected by exchange rate fluctuations.

Food prices of selected commodities are obtained by U.S. Agricultural Attachés on the first Wednesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of the compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

CHANGES IN FOOD AND CONSUMER PRICE INDEXES IN SELECTED COUNTRIES[1]

Country	Latest month	Food prices				Consumer prices			
			Percent change from				Percent change from		
		Index 1970=100	Prev. month	Three months	One year	Index 1970=100	Prev. month	Three months	One year
Argentina	Mar.	4,423.1	42.8	79.8	628.2	4,209.7	37.6	78.3	566.3
Australia	Mar.	172.2	−.4	4.2	12.7	180.4	—	3.0	13.4
Belgium	Mar.	156.6	.9	3.2	13.9	159.6	.6	1.9	9.9
Brazil	Mar.	362.6	2.7	14.6	39.0	335.8	3.2	13.1	38.9
Canada	Mar.	166.9	−.7	−1.3	6.7	150.4	.4	1.3	9.1
Denmark	Mar.	179.1	5.4	8.3	12.3	167.0	4.6	5.7	9.0
France	Mar.	170.9	1.0	3.0	11.6	162.6	1.0	2.8	9.7
Germany, West	Mar.	135.9	.7	3.2	6.4	139.7	.4	1.9	5.4
Italy	Mar.	191.1	2.4	5.9	13.8	188.8	2.0	5.4	13.9
Japan	Mar.	191.3	.4	4.0	8.6	182.3	.4	2.9	8.8
Mexico	Mar.	199.3	.6	3.5	12.8	194.0	1.0	4.9	13.9
Netherlands	Mar.	149.3	1.5	3.5	10.4	160.4	1.0	2.5	8.9
Sweden	Mar.	165.4	2.4	5.7	15.6	158.1	.8	3.1	11.0
United Kingdom	Mar.	237.7	1.1	6.6	22.1	205.9	.5	3.1	21.1
United States	Mar.	155.5	−.8	−1.1	4.3	144.0	.2	.7	6.1

[1] Based on official price indexes.

U.S. Farm Exports to Africa At Record Level in 1975

By ROBERT E. MARX
Foreign Demand and Competition Division
Economic Research Service

As it was in many other areas of the world, calendar 1975 was a banner year for U.S. agricultural exports to Africa. Totaling a record $1.16 billion, these exports were almost double the 1973 value and slightly above the previous record in 1974.

Principally responsible were expanded shipments of wheat and wheat products, mainly to Egypt but also to Morocco, Algeria, and Nigeria. These products will also be important in pushing upward the value of U.S. farm exports to Africa in 1976.

In 1975, shipments to Africa of U.S. agricultural commodities under P.L. 480 arrangements were valued at $165 million—14 percent of total U.S. farm commodity exports to Africa. The P.L. 480 shipments were 6 percent higher in 1975 than in 1974. Wheat was the leader among these imported commodities.

The chief African recipient of 1975 P.L. 480 exports was Egypt with a total of $88 million, including $67 million of wheat and $13 million of wheat flour. Tanzania was next, with shipments of $16 million, about half of which was rice.

Grain and grain products, led by wheat, accounted for 69.2 percent of the value, amounting to $535 million. Wheat flour and some other wheat products—bulgur, for example—swelled the wheat and wheat products category to nearly $570 million.

Corn exports were next, totaling $135 million, with another $4 million represented by cornmeal. Next in line were shipments of cottonseed oil, valued at $114 million; and tallow, $72 million.

Rounding out the top 10 items were rice, $69 million; tobacco, $45 million; wheat flour, $25 million; cotton, $22 million; soybean oil, $18 million; and grain sorghum, nearly $4 million.

The drop from 1974 to 1975 in U.S. grain sorghum exports to Africa was precipitous. An amount equal to only 10 percent of the 1974 level was exported in 1975 as drought relief aid programs tailed off.

Africa's top buyer of U.S. wheat was Algeria, which purchased 872,000 tons for $184 million, plus an additional $700,000 worth of wheat flour. This was more than three times as large as the comparable figure for 1973, but only 25 percent greater than 1974's.

Egypt was not far behind Algeria, taking 935,000 metric tons of U.S. wheat, valued at $155 million. Egypt's purchases of U.S. wheat flour brought the combined wheat and flour total up to $169 million; the combined value was $50 million in 1973 and $136 million in 1974.

Other African buyers of U.S. wheat in 1975 were Nigeria ($62 million), Morocco ($48 million), and Tunisia ($27 million).

African customers for U.S. corn in 1975 were led by Egypt, which purchased slightly more than 511,000 tons for about $69 million. Basic use was for poultry and other animal feeds; only about one-third of the corn purchased was for human consumption.

Egyptians have mixed corn and wheat flour in the last few years to hold down bread costs. The mix may contain as much as 20 percent corn flour. Bread is heavily subsidized for the Egyptian urban consumer.

Tanzania was the only other African country to import large amounts of U.S. corn in 1975, buying 175,000 tons valued at $27 million, slightly more than in 1974. These relatively heavy shipments were to combat food shortages during 1974 and 1975.

Virtually all of the U.S. exports of cottonseed oil to Africa in 1975 went to Egypt, whose purchases amounted to a bit over 192,000 tons, valued at $114 million. Only miniscule amounts were exported to other countries on the Continent.

Egypt is a large grower of cotton and produces about 200,000 tons of oil from its own cottonseed. By virtue of consumers' familiarity, cottonseed oil is the preferred oil in Egypt; little other vegetable oil is either produced or imported.

Nearly 188,000 tons of U.S. tallow valued at $71.6 million, moved to African countries in 1975, with Egypt taking over one-half the total. South Africa has been the second largest African buyer of U.S. tallow, but in 1975 took only 10 percent of its 1974 total. Algeria moved up to second place in 1975, with purchases amounting to about $9 million, compared with Egypt's $43 million.

Continued on page 12

VALUE OF MAIN U.S. AGRICULTURAL EXPORTS TO AFRICA, BY CHIEF DESTINATIONS

Commodity	1970		1975	
	Value	Destination	Value	Destination
	Million dollars	*Country*	*Million dollars*	*Country*
Wheat	22.1	Morocco	184.3	Algeria
	15.3	Nigeria	154.7	Egypt
	15.1	Tunisia	61.8	Nigeria
Rice	12.7	S. Africa	35.8	S. Africa
	9.2	Liberia	9.3	Liberia
	2.5	Somalia	8.1	Tanzania
Corn	1.5	Zambia	68.5	Egypt
	1.3	Egypt	27.3	Tanzania
Tobacco	4.1	Libya	14.4	Egypt
	3.5	Zaire	7.5	Libya
Cottonseed oil	6.9	Egypt	114.5	Egypt
	1.6	Morocco	—	—
Tallow	11.2	Egypt	42.6	Egypt
	3.1	Morocco	8.9	Algeria
All farm exports	46.4	Morocco	424.7	Egypt
	29.6	Nigeria	216.3	Algeria
	26.7	Tunisia	96.9	Nigeria
	26.3	Egypt	72.9	Morocco

Field Crops Take Lead in South Brazil's Rich Farmland

By R. L. BEUKENKAMP
U.S. Agricultural Attaché
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AFTER MANY YEARS in which the livestock and fruit industries dominated the agriculture of Brazil's southern region, field crop production is rapidly gaining importance, largely because of the introduction of double cropping of wheat and soybeans.

As a result, the share of income from the two traditional leaders has fallen.

In the period 1963-65, only 50 percent of the total value of agricultural production was derived from field crops. But in 1973, this figure had grown to 80 percent and was expected to reach around 83 percent by the end of 1975.

By 1970, the field crop area in the South—a region consisting of the States of Paraná, Santa Catarina, and Rio Grande do Sul—swelled to about 24 million acres, mainly planted to corn, wheat, soybeans, rice, beans, and manioc. Most of Brazil's soybeans and wheat originate from this region, especially the northwestern parts of Rio Grande do Sul and Paraná. Beef cattle and sheep are raised in the southern part of Rio Grande do Sul; and in the mountainous east-central part of the State, wine, fruit, and vegetables are produced by descendants of Italian and German immigrants.

Forty-two percent of the farms in the southern part of Brazil average around 12-15 acres. An additional 52 percent range between 25 and 250 acres, and only 5 percent run as large as 750 acres. About 19 million people live in the South—an area as large as France and Belgium combined.

Output of soybeans in Brazil stood at 305,000 tons[1] in 1964, and increased steadily to 2 million tons in 1971. Thereafter, production rose by an average of nearly 48 percent a year for the next 4 years to a forecast 9.7 million tons in 1975. The climb in wheat production was more erratic, rising from 261,000 tons in 1964 to an estimated 1.48 million tons in 1975. The latter output was considerably less than the 2.82 million tons produced in 1974.

The average yield of Brazilian soybeans had been lower than that in the United States prior to 1974, but since then yields have been somewhat comparable. Wheat yields in Brazil are low, about 1,016 kilograms per hectare (1 ha=2.471 acres), compared with the average U.S. yield of 2,095 kg.

Brazil jumped into soybean production in the late 1960's, using U.S. seed and technology, which has contributed to that country's success as a soybean producer. The greatest increase in soybean production over the past few years took place in Paraná, where yields have reached more than 2,177 kg per hectare —above the U.S. average and near that of Iowa and Illinois. It is quite possible that before long Paraná may harvest more soybeans than Rio Grande do Sul, now Brazil's largest producer.

In 1975, soybean production in the South, by State, in metric tons, was: Rio Grande do Sul, 4.8 million tons; Paraná, 3.5 million tons; Santa Catarina, 382,000 tons. Production elsewhere was 1.0 million tons.

The Brazilian Government expects soybean production to continue to increase for some years to come. Eventually, however, low soil fertility and the lack of supporting infrastructure will limit further expansion into new areas, unless world prices climb higher than present levels so as to support the use of costly inputs.

Most of Brazil's wheat production takes place in the region below the 23d parallel where there is adequate winter and spring rainfall, and where the pattern of double cropping wheat with soybeans is well established. In northern Paraná wheat is often planted exceptionally early in April to make possible planting of soybeans in October. However, this tendency subjects the wheat to the risk of frost early in the year and drought later, as happened in 1975. So, while soybeans are grown with the likelihood of producing a sizable crop, wheat depends more on favorable weather with the crop subject to wide variations in yield and overall production from year to year.

As yet corn is grown almost entirely by small farmers, mostly by those who keep swine. About half of the crop planted is of nonhybrid varieties. Corn production will probably mount as the Brazilian livestock industry develops in response to growing per capita incomes and the swing from a carbohydrate diet to one based on protein. With this development the area's larger farms will probably move into mechanized corn production.

Such a move would also further diversify the region's agriculture as it would give soybean producers an attractive alternative source of income, depending on the price ratio between corn and soybeans in the international market.

Rio Grande do Sul produces about 1.7 million tons of rice—one-quarter of Brazil's total output—on over 400,000 hectares of irrigated land. Yields often reach as much as 3,583 kg per hectare and because it is grown under irrigation, rice output is relatively stable year after year.

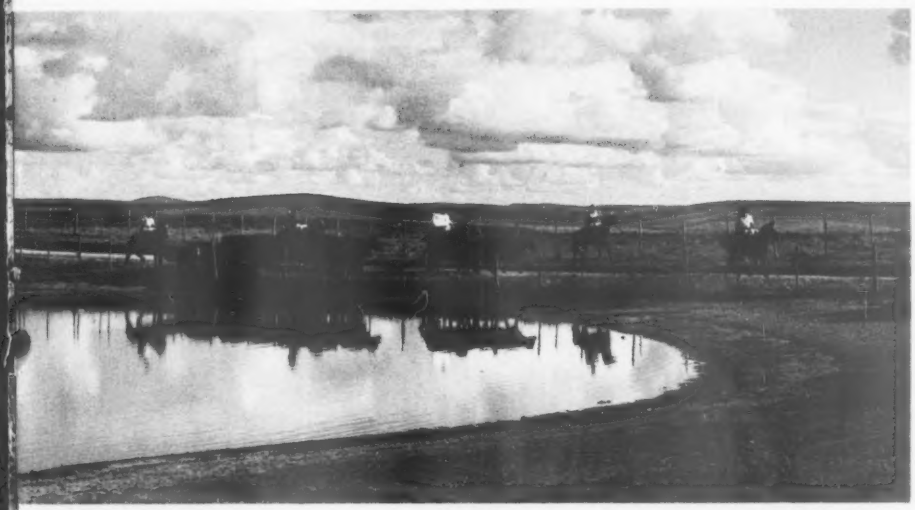
THIS is in addition to around 2 million hectares that could be opened to irrigation, on which rice, corn, or soybeans could be grown. However, because the average farm size in Rio Grande do Sul is relatively small, costly investments for infrastructure development would have to come from the State or from cooperatives.

Brazilian tobacco production is also concentrated in the southern part of the country, and the region supplied a large part of the country's 1975 output of 286,000 tons.

Nearly all of this tobacco is used for cigarette manufacture. Over the past 3 years cigarette tobacco production has increased by 100 percent and is still mounting. Output in 1976 is expected to rise an estimated 6.5 percent over the 1975 figure, mainly in flue-cured and burley types of tobacco. Brazil's overall cigarette tobacco outturn amounted to 246,606 tons in 1975. Exports were expected to total 62,000 tons in 1975, 90 percent more than in 1973.

To boost output of deciduous fruit in the South, the Brazilian Government recently granted incentives to producers of apples and pears, mainly in Santa Catarina, where there are areas ideally

[1] All tons are metric.



Above, a herd of beef cattle being driven to pasture on a Brazilian farm. Although most Brazilian cattle are purebred Zebu (Brahman) or crosses of Zebu and cattle descended from European stock brought over in early colonial days, strong efforts are being made to upgrade the herds, particularly in Rio Grande do Sul. Left, tractor discing soil in South Brazil before planting.

suited for their production. Such increased crops may limit future exports of deciduous fruits to Brazil by such traditional suppliers as the United States and Argentina.

Brazil's southern region is the country's leading exporter of livestock products. Rio Grande do Sul is the leading sheep-producing State, with around 12.5 million head. Paraná and Santa Catarina each have some 300,000 head. Sheep are grown largely for their wool, with production reaching about 35,000 tons annually.

Wool raising is usually profitable since Brazil has a protected, national textile industry. Because of this, farmers tend to maintain too many sheep on their pasture and winter losses are high. Sheep growers are willing to accept a high death rate rather than to sell the animals for meat. Many farmers use the profit from running sheep to pay the fixed costs of the farm with income from cattle making up the profit. However, at present the sheep industry—which normally exports one-third of its production—is suffering from low world wool prices and many sheepfarmers are increasing their cattle numbers at the expense of sheep.

The beef cattle industry is the oldest agricultural sector in the region, having been Brazil's main provider of meat since two centuries ago when the search for minerals brought thousands of people into Minas Gerais.

Today the South counts around 20 million head of beef cattle—12.5 million in Rio Grande do Sul, 4.8 million in Paraná, and 2.7 million in Santa Catarina. Beef or dual-purpose cattle comprise much of the herd, but dairy cattle are raised close to the cities. The Zebu (Brahman) breed is still the most important in Paraná, but there are many European breeds, especially in Rio Grande do Sul.

Cattle are fattened exclusively on pasture, although experiments on lot feeding are being run in Rio Grande do Sul. As consumer demand for younger beef increases (along with commercial production of corn and grain sorghum) it is probable that commercial feedlots will come into operation.

Many farmers in Rio Grande do Sul blame the heavy death losses and other difficulties in raising cattle on the severe winter climate. This is hardly the case since the temperature is actually comparable to that in the Mediterranean basin and the region has only moderate frosts and good winter rains. Cattle can be grazed all year round with few droughts to cut down on cattle development, as is the case in some years in central Brazil.

But no attention is given to timing the calf crop, pasture improvement, or even to taking care of the natural pastures. Consequently, cattle deaths average 600,000 head per year.

South Brazil's broiler industry has developed rapidly over the past 5 years, but produces mainly for the domestic market. Based on the 1970 census (the latest data available), the region had around 68.1 million broilers—29.2 million in Rio Grande do Sul, 12.7 million in Santa Catarina, and 26.2 million in Paraná. Consumer preference for beef hampers an even faster development of the broiler industry.

The swine industry, until recently, was mainly aimed at lard production. This has been changing with the importation of Landrace and similar lean pork breeds from Europe and the United States as Italian-type hams are gaining in popularity. However, the high price of soy oil in 1975 had a negative effect on this trend and many farmers kept their hogs longer to fatten for lard.

In Brazil, only a few hogs normally are kept per farm and when fed for lard may be 2-3 years old when finally slaughtered.

In 1970, Brazil's southern region had 15.1 million pigs—3.1 million in Santa Catarina, 5.8 million in Rio Grande do Sul, and 6.2 million in Paraná.

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U.S. Farm Exports to Africa

Continued from page 9

Africa took 170,000 tons of U.S. rice, valued at $69 million, in 1975. About half went to South Africa while Liberia was the second-ranking rice importer.

Egypt is U.S. agriculture's leading market in Africa. It has been at the top of the list for many years, except for 1968-71, following the Arab-Israeli war.

In 1975, U.S. agricultural exports to Egypt were valued at $425 million. On a value basis, wheat and wheat flour made up 40 percent of the total; cottonseed oil, 27 percent; corn, 16 percent; tallow, 10 percent; and tobacco, 3 percent. Those five products comprised about 97 percent of 1975's U.S. agricultural exports to Egypt.

Algeria was second as a market, buying products worth $216 million. Around 85 percent of that was wheat. Algeria also held second place in the previous year.

Nigeria ranked third, highest in recent years, although it is normally in the top five or so. Exports to Nigeria were valued at almost $97 million. Wheat shipments worth $62 million were followed by tallow, valued at $7 million.

In 1974, there was a dramatic shift in the balance of U.S.-African agricultural trade. Before that year U.S. imports from Africa—including coffee, tea, cocoa, and a wide variety of other agricultural products—far exceeded in value U.S. exports to the area. But in 1974 and again in 1975, the value of U.S. farm exports to Africa exceeded the value of U.S. agricultural imports.

In 1975, the totals were: Imports, $820.6 million; exports, $1,156.5 million. This situation reflects substantial changes in some commodity prices in recent years, but it also reveals an attempt by several African countries to upgrade their diets.

In the case of wheat and wheat flour, U.S. combined exports to Africa in 1975 were 2¼ times the tonnage exported in 1970, but the value of 1975 exports was nearly 7 times that of 1970. In contrast, 1975 combined U.S. imports of coffee and cocoa beans from Africa, were only about 80 percent of their 1970 tonnage, while their combined 1975 import value was about 17 percent above that of 1970.

VALUE OF MAIN U.S. AGRICULTURAL EXPORTS TO AFRICA IN SELECTED YEARS

[In million dollars]

Commodity	1970	1972	1974	1975
Grains and products:				
Wheat	73.4	86.9	471.2	535.4
Wheat flour	8.7	10.4	28.5	24.6
Rice	31.0	30.9	72.8	68.9
Corn	9.3	18.2	111.2	135.1
Grain sorghum	.8	5.1	39.8	3.8
Others:				
Tobacco	16.2	13.9	55.8	44.7
Cotton	11.4	10.5	36.1	21.7
Cottonseed oil	9.6	25.9	76.9	114.5
Soybean oil	25.3	28.0	45.6	18.0
Tallow	21.3	27.1	88.2	71.6
Other	52.0	40.3	112.0	118.2
Total	259.0	297.2	1,138.1	1,156.5

U.S. Rice Sales

Continued from page 5

mercial export markets for rice. We have already done well on this score. We now export rice to more than 100 countries around the world.

We have found a major new commercial market for American rice just this year. Last year, in 1974/75, an American export firm shipped 10,000 tons of U.S. rice to the USSR as a trial shipment. The Russians like the quality of our rice. This year they have placed orders for nearly 65,000 tons of U.S. rice among several export firms.

The USSR offers potential as a continuing commercial export market for U.S. rice. The USSR normally imports around 250,000 tons of milled rice a year. If our prices are competitive they will continue to buy.

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